

**FILED**

JAN 10 2013

SECRETARY, BOARD OF
OIL, GAS & MINING**Fwd: DOGM Hearing Information**

John Rogers <johnrogers@utah.gov>
To: Julie Ann Carter <juliecarter@utah.gov>

Fri, Jan 10, 2014 at 8:56 AM

Susan forwarded this to the Division. I believe it should be part of the Board's file and for their information.

----- Forwarded message -----

From: **Susan White** <susanwhite@utah.gov>
Date: Fri, Jan 10, 2014 at 6:34 AM
Subject: Fwd: DOGM Hearing Information
To: John Rogers <johnrogers@utah.gov>, Clinton Dworshak <clintondworshak@utah.gov>, Dustin Doucet <dustindoucet@utah.gov>, Brad Hill <bradhill@utah.gov>, Dan Jarvis <danjarvis@utah.gov>

Don't know why Rex sent this to me. I told him I would forward his concerns to you all.

----- Forwarded message -----

From: **Rex L. Sacco** <Rex.Sacco@carbon.utah.gov>
Date: Thu, Jan 9, 2014 at 5:26 PM
Subject: DOGM Hearing Information
To: "Susan M. White" <susanwhite@utah.gov>

Hello Susan,

Regarding the Hearing for an injection well at the Alpine School sight.

Attached is information and questions from our Zoning Administrator, Frankie Hathaway regarding Carbon County's

involvement, in the past issues, we would like you to address our concerns regarding the safety aspects of the use of this sight.

Our #1 concern is the risk of ground water contamination. We just want to be satisfied that this fear is addressed.

I will make an effort to attend the hearing.

Rex Sacco

Public Lands Director,
Roads, Access and Safety Administrator
120 East Main St.
Price Utah, 84501
Office: 435-636-3712
Fax: 435-636-3264
rex.sacco@carbon.utah.gov

I have lived, loved, won and lost.

Life is not easy, but it is what it is.



Susan M. White

1/10/14

State of Utah Mail - Fwd: DOGM Hearing Information

Division of Oil, Gas and Mining
Salt Lake City, UT
801-538-5311

2 attachments



ASD 3-17 CUP.pdf

286K



Info submitted to DOGM 1_9_14.pdf

1817K



Carbon County

Utah's Castle Country

CONDITIONAL USE PERMIT
COUNTY OF CARBON
DEPARTMENT OF PLANNING

THIS CERTIFICATE ISSUED AS PER SECTION 3.3.31 AND 4.2.16 OF THE DEVELOPMENT
CODE OF CARBON COUNTY TO:

FILED

MARION ENERGY INC.
119 S. TENNESSEE, SUITE 200
McKINNEY, TX 75069

JAN 10 2013

SECRETARY, BOARD OF
OIL, GAS & MINING

GRANTING A CONDITIONAL USE PERMIT TO CONVERT THE ALPINE SCHOOL DISTRICT 3-17
PRODUCTION WELL TO A CLASS II INJECTION WELL:

DATED: APRIL 6, 2011

EXACTIONS:

1. Comply with all ordinances of Carbon County and laws of the State of Utah.
2. Store and dispose of all garbage properly and promptly
3. Control dust as dictated by road/weather conditions.
4. No open fires allowed on site.
5. Keep gates closed and install cattle guards to protect livestock, in areas where livestock is or can be present.
6. Restrict vehicle access to existing roads
7. Post and maintain safe speeds
8. Control noxious weeds per County ordinance.
9. Control all water used/produced on and off site through whatever means necessary
10. Repair any County roads damaged as directed by County Road Supervisor.
11. Mitigate emission of fumes, smoke, noise, vibration or odor beyond the boundaries of the property.
12. Observe existing rights of way and/or easements
13. Post and maintain a safe speed.
14. Reclaim all disturbed lands within 6 months of completion or abandonment of project
15. Preserve aesthetic integrity of the area, structures should blend in with the natural color and terrain
16. All residuals must be rendered non-toxic and all appropriate DEQ approvals must be in place

APPROVED BY:


FRANKIE HATHAWAY
DEPUTY ZONING ADMINISTRATOR

Carbon County
Planning and Zoning
Frankie Hathaway
Zoning Administrator

FILED

JAN 10 2013

**SECRETARY, BOARD OF
OIL, GAS & MINING**

Chronology of Alpine School District Disposal Well 3-17:

January 24, 2011-Ben Evans with Marion Energy sent a letter inquiring as to whether converting the ASD (Alpine School District) 3-17 Well from a production well to a disposal well would require an additional or amendment to their existing Conditional Use Permit. (see attachment "A")

The same day, I responded to Mr. Evans with an email indicating that the conversion was outside of the scope of the initial Conditional Use Permit that had been issued to Marion Energy for the drilling and operation of a production well and that a request for an amendment would need to be heard before the Carbon County Planning Commission and County Commission (see attachment "B")

January 25, 2011-Ben Evans with Marion Energy emails Conditional Use Permit application to amend existing Conditional Use Permit for conversion to a disposal well. (see attachment "C")

January 26, 2011-I emailed Ben Evans with Marion Energy indicating that I had been informed by the Division of Oil, Gas and Mining that Marion Energy intended to convert both the ASD 3-17 and the ASD 6-17 production wells to disposal wells and that if that was the case we would need an amended Conditional Use Permit application for the ASD 6-17 well also and that payment would also need to be received for the application fees to put them on the meeting schedules. (see attachment "D")

The same day, Mr. Evans emailed back applications (incomplete but they were accepted) for amending the Conditional Use Permits for both the ASD 3-17 and the ASD 6-17 wells. (see attachment "E")

January 27, 2011-I received an email from Mark Jones with Division of Oil Gas & Mining indicating that approval for the ASD 3-17 well had already been issued to Marion Energy on December 16, 2010 (see attachment "F")

February 8, 2011-During the regular Planning Commission meeting, board members inquired as to the structural integrity of the pipeline that was in place and if it was adequate to handle the volume of increased pressure of converting from a production well to a disposal well. Mel Coonrod with EIS (contract engineering company for Marion Energy) indicated he would get some structural calculations on the pipeline and provide them to Carbon County. This information was provided via email from Mel Coonrod on February 14, 2011 and was based upon information provided by Ben Evans with Marion Energy. (See attachment "G")

July 7, 2011-Rex Sacco, Public Lands Director forwarded an email to me regarding an integrity issue with the pipeline and that there had been a discharge issue with damage to a Carbon County road as well as contamination of a stream that leads to Scofield Reservoir, the location of drinking water for Carbon County. (see attachment "H" and "I")

August 10, 2011- Staff begins discussions to withdraw the Conditional Use Permits for Marion Energy due to their inability to effectively maintain infrastructure compliant with DOGM regulations and conditions of their Conditional Use Permits. (see attachment "J")

August 30, 2011-Carbon County attorney Christian Bryner informs staff that Marion Energy will need to be made aware of our intent to withdraw the Conditional Use Permits so that they have

due process to provide evidence as to why the Conditional Use Permits should not be withdrawn. (see attachment "K")

August 31, 2011- I prepare and send, certified priority mail, a letter to Marion Energy indicating our intent to withdraw the Conditional Use Permits (see attachment "L")

September 9, 2011-Our office received a letter from DOGM indicating Marion Energy has been issued a Notice of Violation and must respond to DOGM immediately. (see attachment "M")

November 16, 2011-I send an email to the Carbon County Planning Commission, Planning Commission and deputy attorney indicating Marion Energy's multiple Notices of Violation and recommending that the meeting to withdraw the Conditional Use Permits be tabled and defer to DOGM for enforcement of the violations prior to Carbon County taking action. (see attachment "N")

November 22, 2011-Clinton Dworshak with DOGM sends me an email of the Agreement for Resolution between DOGM and Marion Energy (see attachment "O")

January 27, 2012, Dave Levanger, Carbon County Director of Planning forwards me an email containing a letter from Kerri Clarke with Marion Energy inquiring about their Conditional Use Permits (see attachment "P"), a certification from EIS (engineering consultant for Marion Energy) regarding pipeline plans and specifications for repairs to infrastructure (see attachment "Q"), and a letter from Nelco Contractors indicating the work they had done to water and gas pipelines for Marion Energy (see attachment "R")

January 9, 2014-Rex Sacco, Public Lands Director, informs me that DOGM has received an application to dispose of water from the Cook wells into the ASD 3-17 disposal well owned and operated by Marion Energy. The immediate concern of the Carbon County Planning and Zoning staff is who will be installing the infrastructure necessary to accomplish this disposal of water and ensuring that it is engineered to adequately accommodate the volume of water that will be pushed through the lines? Who will be maintaining the pipeline and making sure there are no ruptures or breaches in the line? Will weekly or monthly monitoring for spills and undesirable events be done to ensure no contamination of ground water since these wells are located within the Carbon County Watershed Zone and are located within a critical watershed area?

It is the request and recommendation of Carbon County Planning and Zoning that these questions be addressed and resolved prior to the approval and issuance of any permits for this transaction.

Thank you for your time and consideration,

Frankie Hathaway

Zoning Administrator

Carbon County Planning and Zoning

Attachment “A”

Carbon County Planning and Zoning
ATTN: Frankie Hathaway
120 E Main
Price, Utah
84501

Re: Marion Energy Inc. - Conditional Use Permit for ASD #3-17

Dear Ms. Hathaway,

Pursuant to our recent telephone conversation (1/20/2011) and certified letter received by Marion Energy this past week, where by Carbon County is requesting an additional conditional use permit for the disposal of produced water into the Alpine School District #3-17 well. Currently a Conditional Use Permit is in place for the #3-17, however, during our telephone conversation I had requested that if we were to require an additional Conditional Use Permit for disposal into the aforementioned well the permit be handled and approved administratively. Since we spoke I have had no response from Carbon County regarding this matter. Initially we had not been requested to apply for a Conditional Use Permit for this specific well, as we believed that the Conditional Use Permit currently in place would suffice. We had previously been instructed to and applied for a permit for only the ASD #6-17, which is located on the same well pad as the #3-17. You had stated that you would need to discuss the possibility of approving the permit in this way with your attorney, from whom we have also had no response. Your certified letter stated that we had until January 25th 2011 to submit an application for the permit, you also stated that you believed that you had already received an application for this well from Marion Energy (ASD #3-17), which you had mentioned that you were going to verify for me, but I have received no verification at this time.

Carbon County has stated in the past that its approval of this permit will be based upon the decision of the board of the Department of Oil Gas and Mining (DOGM) regarding our application for disposal in this well. DOGM holds sole jurisdiction over matters such as these, and has since approved our application, which is why I suggested that our Conditional Use Permit be handled administratively.

Please could you let me know how we need to proceed regarding this matter. Time is getting short and we would like to get this matter resolved as soon as possible.

Sincerely,

Marion Energy Inc.
119 S. Tennessee, Suite 200
McKinney, Texas, 75069
Tel: (972) 540-2967

Benjamin Evans
Landman
Marion Energy Inc.
Phone: 972-540-2967 ext 3004
E-mail: bevans@marionenergy.com

Marion Energy Inc.
119 S. Tennessee, Suite 200
McKinney, Texas, 75069
Tel: (972) 540-2967

Attachment “B”

Frankie Hathaway

From: Frankie Hathaway
Sent: Monday, January 24, 2011 3:52 PM
To: 'Ben Evans'
Cc: Dave Levanger; Christian Bryner; Mike Milovich; Mike Milovich
Subject: Conditional Use Permit for Alpine 3-17

Tracking:	Recipient	Delivery	Read
	'Ben Evans'		
	Dave Levanger	Delivered: 1/24/2011 3:52 PM	
	Christian Bryner	Delivered: 1/24/2011 3:52 PM	Read: 1/24/2011 4:32 PM
	Mike Milovich		
	Mike Milovich		

Ben, per our conversation last week, I have reviewed the Carbon County Code regarding construction and/or developments in the Watershed Zone and requirements for applications. According to communications our office has received from the Division of Oil, Gas & Mining, the Alpine 3-17 well is located within the Watershed Zone. A Conditional Use Permit was issue for this well as a production well; however, your recent DOGM application is to convert this production well to a Class II Injection Well, which is outside of the scope of the initial Conditional Use Permit.

In July of 2010, Marion Energy requested to be placed on the Carbon County Planning Commission agenda for a request for a Conditional Use Permit to convert the Alpine 3-17 well from a Production Well to a Class II Injection well. After several failed attempts at scheduling a meeting to accommodate the needs of Marion Energy, no meeting was ever held and no application or payment of fees has been received from Marion Energy for this project.

Carbon County Development Code Section 4.2.16 indicates that a Conditional Use Permit application will need to be submitted, along with \$100.00 payable to Carbon County for the permit fees. The deadline for submission of an application for the February 8th Planning Commission meeting is 5:00 PM on the 25th of January. It is required to have a representative of the applicant present at the Planning Commission meeting.

Please feel free to contact me if you have any additional questions, comments or concerns.
Thank You,

Frankie Hathaway
Deputy Zoning Administrator
Planning and Building Department
120 East Main Street
Price, Utah 84501
Phone: 435-636-3260
Fax: 435-636-3264
frankie.hathaway@carbon.utah.gov

"We do not know who we are until we see what we can do"

Attachment “C”

CARBON COUNTY, UTAH

APPLICATION FOR A CONDITIONAL USE PERMIT

APPLICANT: Marion Energy Inc.
ADDRESS: 119 S. Tennessee, Suite 200, McKinney, TX, 75069
PHONE: (972) 540-2967
PROPOSED PROJECT: Conversion of ASD #3-17 from production to disposal well.
PROPOSED LOCATION: NE/4 Section 17 13S-7E
TYPE OF BUSINESS: Oil and Gas Exploration and Production
DESCRIPTION OF PROJECT: Marion Energy is proposing to convert the ASD #3-17 well from a production well to a produced water disposal well. The disposal zone is the ferron formation from which the water is being produced.

1 Evans

1/25/2011

Signature of Applicant

Date

Access: The County Road Department has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be:

Ray Hanson, County Road Supervisor, 636-3268

Date

Noxious Weed Review: The County Weed Department has reviewed the location of the above proposed project. Our review concludes that the following mitigation and control requirements are:

Mike Johnson, Supervisor, 636-3270

Date

County Engineer Approval: The County Engineer Department has reviewed the information regarding the above proposed project. Our review concludes the drainage plan and engineering requirements are:

Curtis Page, Engineer, 636-3231

Date

Utah Highway Access: The Utah Department of Transportation has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be

UDOT Representative, 636-1470

Date

Attachment “D”

Frankie Hathaway

From: Frankie Hathaway
Sent: Wednesday, January 26, 2011 11:56 AM
To: 'Ben Evans'
Cc: Christian Bryner; Dave Levanger
Subject: Conditional Use Permits

Tracking:	Recipient	Read
	'Ben Evans'	
	Christian Bryner	Read: 1/26/2011 1:19 PM
	Dave Levanger	

Ben, I have been informed by the Division of Oil Gas & Mining that Marion Energy has approval to convert the Alpine School District 3-17 from a Production Well to a Class II Injection Well. I have also been informed that an application is in process to do the same with the Alpine School District 6-17 Well. If this is indeed the case, we will need two applications for Conditional Use Permits, one for each well, with accompanying documentation as well as fees for both applications. If you would like both applications considered on the same date, I will need to receive both by 8:00 am tomorrow morning to be included on the February 8th agenda and I must receive payment for both no later than Monday the 31st.

If you have questions or concerns please let me know, otherwise, I will be awaiting receipt of your applications.

Thanks,

*Frankie Hathaway
Deputy Zoning Administrator
Planning and Building Department
120 East Main Street
Price, Utah 84501
Phone: 435-636-3260
Fax: 435-636-3264
frankie.hathaway@carbon.utah.gov*

"We do not know who we are until we see what we can do"

Attachment “E”

CARBON COUNTY, UTAH

APPLICATION FOR A CONDITIONAL USE PERMIT

APPLICANT: Marion Energy Inc.
ADDRESS: 119 S. Tennessee, Suite 200, McKinney, TX, 75069
PHONE: (972) 540-2967
PROPOSED PROJECT: Conversion of ASD #3-17 from production to disposal well.
PROPOSED LOCATION: NE/4 Section 17 13S-7E
TYPE OF BUSINESS: Oil and Gas Exploration and Production
DESCRIPTION OF PROJECT: Marion Energy is proposing to convert the ASD #3-17 well from a production well to a produced water disposal well. The disposal zone is the ferron formation from which the water is being produced.

Benjamin Evans
Signature of Applicant
1/25/2011
Date

Access: The County Road Department has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be:

Ray Hanson, County Road Supervisor, 636-3268
Date

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Date

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Curtis Page, Engineer, 636-3231
Date

Utah Highway Access: The Utah Department of Transportation has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be

UDOT Representative, 636-1470
Date

CARBON COUNTY, UTAH

APPLICATION FOR A CONDITIONAL USE PERMIT

APPLICANT: Marion Energy Inc.
ADDRESS: 119 S. Tennessee, Suite 200, McKinney, TX, 75069
PHONE: (972) 540-2967
PROPOSED PROJECT: Conversion of ASD #6-17 from production to disposal well.
PROPOSED LOCATION: NE/4 Section 17 13S-7E
TYPE OF BUSINESS: Oil and Gas Exploration and Production
DESCRIPTION OF PROJECT: Marion Energy is proposing to convert the ASD #6-17 well from a production well to a produced water disposal well. The disposal zone is the ferron formation from which the water is being produced.

Benjamin Evans

1/25/2011

Signature of Applicant

Date

Access: The County Road Department has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be:

Ray Hanson, County Road Supervisor, 636-3268

Date

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Mike Johnson, Supervisor, 636-3270

Date

County Engineer Approval: The County Engineer Department has reviewed the information regarding the above proposed project. Our review concludes the drainage plan and engineering requirements are:

Curtis Page, Engineer, 636-3231

Date

Utah Highway Access: The Utah Department of Transportation has reviewed the information regarding the above proposed project. Our review concludes that the following impacts will be

UDOT Representative, 636-1470

Date

Attachment “F”



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

UNDERGROUND INJECTION CONTROL PERMIT

Cause No. UIC-317.1

Operator: Marion Energy, Incorporated
Wells: Alpine School District 3-17
Location: Section 17, Township 13 South, Range 7 East (SLBM)
County: Carbon
API No.: 43-007-31182
Well Type: Salt Water Disposal Well

Stipulations of Permit Approval

1. Approval for conversion to Injection Well issued on June 29, 2010.
2. Maximum Allowable Surface Injection Pressure: 400 psia
3. Corresponding Injection Rate: Limited by pressure.
4. Injection Interval: Perforations from 4,268' to 5,119' in the Ferron Sandstone Member of the Mancos Shale.
5. A Step Rate Test is required when the Maximum Allowable Injection Interval Injection Pressure is attained. The well is unlikely to reach this limit because the current reservoir charging injection pressure is extremely low and insensitive to increases in injection rate.

Approved by:


John Rogers
Associate Director

12/16/2010
Date

JR/CK/js

cc: Bruce Suchomel, Environmental Protection Agency
Bureau of Land Management, Price
Carbon County Planning

N:\O&G Permits\Injection Permits\MarionEnergy_Mid-Power Resources\ASD 3-17 SWD

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov



Attachment “G”

Frankie Hathaway

From: eisec <eisec@preciscom.net>
Sent: Monday, February 14, 2011 12:17 PM
To: Frankie Hathaway
Subject: Fw: Pipeline

Frankie, here is the additional e-mail mentioned in the first we sent to you. Thanks again.

Dee Ann Finger
Office Manager
EIS Environmental & Engineering Consulting
31 North Main Street
Helper, Utah 84526
Phone: 435-472-3814
Fax: 435-472-8780
Toll Free: 800-641-2927
E-Mail: eisec@preciscom.net

----- Original Message -----

From: Keri Clarke
To: eisec@preciscom.net
Sent: Friday, February 11, 2011 1:33 PM
Subject: Pipeline

Mel

This is the description of the pipe. I will send you the pipeline map later today.

There are two pipeline types in the field an 8" Poly line SDR7 with a MAOP of 255 lbs. Also there is a 16" Steel line with a 0.277 wall with a MAOP of 300 Lbs. Currently the 3-17 well is taking water on vacuum and the head pressure in the lines from the field is running at 20 lbs.

Thanks

Keri Clarke
Vice President Land
Marion Energy Inc.
972-540 2967 (Off)
214-704 4377 (Cell)

Attachment “H”

Frankie Hathaway

From: Rex L. Sacco
Sent: Thursday, July 07, 2011 3:24 PM
To: Frankie Hathaway
Subject: FW: Illegal Industrial Water Discharge, Marion Energy

Rex Sacco
Public Lands Director,
Roads, Access and Safety Administrator
120 East Main St.
Price Utah, 84501
Office: 435-636-3712
Fax: 435-636-3264
rex.sacco@carbon.utah.gov

I have lived, loved, won and lost.
Life is not easy, but it is what it is.



From: Jeffrey Studenka [<mailto:jstudenka@utah.gov>]
Sent: Thursday, July 07, 2011 10:26 AM
To: Rex L. Sacco; Thomas W Lloyd; Mark Jones; Ted Smith
Cc: Darren G Olsen; Joseph N DiBenedetto; Nathan D Lewis; Pamela Brown
Subject: Re: Illegal Industrial Water Discharge, Marion Energy

Thanks for the info Tom and glad they were able to stop the discharging situation. Since I have recently moved out of UPDES industrial discharge purview and into the storm water arena here at DWQ, I would like to suggest that you officially report this incident thru our Incident Command center at 801-536-4123 for any potential follow up or enforcement action from DEQ as a whole. You can also visit our website for more info on reporting pollution at www.deq.utah.gov

Also FYI, the person who has taken over my previous responsibilities is Mike Herkimer and his direct line is 801-536-4386 for future reference.

Thanks again for letting us know and best regards.

Sincerely,

Jeff Studenka

Manager, UPDES IES Section
Division of Water Quality
195 North 1950 West
Mail to: PO Box 144870
Salt Lake City, UT 84114-4870
phone: 801-536-4395
fax: 801-536-4301
www.waterquality.utah.gov

>>> Thomas W Lloyd <twlloyd@fs.fed.us> 7/6/2011 5:46 PM >>>

The attached photo shows industrial water emanating from a pipeline vault located on the Manti-La Sal National Forest Section 8, T14S, R 7E approximately 2 miles south of the town of Clear Creek in the Ragman Canyon area.

The water is being pumped from the Ridge Runner wells located on Trough Springs Ridge. The approximate water flow from the vault is about 50 to 100 gallons per minute. I met with Eric Norton, the local contact for the company. I asked him to stop pumping water from the wells immediately as there was a significant leak in the pipeline and industrial water was flowing directly into the stream Ragman Canyon stream. He complied with my request and said he would investigate the situation. He said that prior to my talking to him he was not aware of any problem with the pipeline.

Please contact Joe DiBenedetto or me if additional information is needed.

Thanks

Tom Lloyd
Minerals, Engineering, Lands Staff Officer
Manti-La Sal National Forest
Office: 435-636-3596
Cell: 435-749-1658

Attachment “I”

DOGM Report on Ragman Canyon Production Water Leak and Tank Farm

July 12, 2011

Scott

Ted Smith and I went out to the Clear Creek Field yesterday. We met with Eric Olsen who is the pumper for Marion. The bottom line as to what happened was a pressure relief valve on the disposal line failed. The produced water line runs from Marion's Ridge Runner wells down to their central tank battery. The line is laid beneath the Forest Service road and the failure was about three miles south of the tank battery in Ragman Canyon. The pressure relief valve that failed was located in a manhole in the middle of the road. The purpose of the valve is to release pressure from the line so that the poly pipe will not part at a joint should there be an increase in line pressure (I don't remember the exact pressure, but it is low. Note that the water flows by gravity and is not pressured with a pump.). It appears that the valve failed and released water along with the air/gas? Once the pumper was notified of the failure the Ridge Runner wells were shut-in and the valve was replaced. It was not determined how much water was released. The pumper does not think that the volume was very high considering the valve is quarter inch? I can't make a determination because I don't know the duration of the leak or how much water was being produced. I really did not see any indication of large scale flow of water at the time of the inspection. The location of the leak is on Forest Service surface and sits above what appears to be a tributary to mud creek. In my opinion I don't think there was a major contamination issue but I am basing that solely on what I could see yesterday.

As for the plumbing issue at the tank battery, you are correct in that it does not look good and I agree and I told the pumper that . That line is actually the produced water line that comes from the #2 well to the tank battery. The valve you see on the vertical section of pipe is the same type of valve that failed on the upper disposal line. From the looks of it the water that is there is most likely fresh spring water. I agree that it is very close to the creek and we need to have them rectify this issue. At the time of the inspection the #2 well was not being produced so there was no water in the line. I will have Ted follow up on this issue to get them to relocate the pressure relief valve. I hope this answers some of the question that have arisen. We will be keeping close tabs on all operations out there now and in the future.

Daniel J. Jarvis, P.G.
Environmental Manager/Geologist
Utah Division of Oil, Gas and Mining
801-538-5338 phone
801-359-3940 Fax

>>> Scott Hacking 7/11/2011 3:54 PM >>>

Hi Dan - I got this e-mail from Rex Sacco at Carbon County. They are interested in what you find, they apparently have a Conditional Use Permit allowing the Marion injection well, but they can pull the CUP if any of the conditions (I don't know what those are, I don't have a copy of the CUP) are not being adhered to. Please let us know what you find, thanks.

-Scott

Attachment “J”

Frankie Hathaway

From: Dave Levanger
Sent: Wednesday, August 10, 2011 10:06 AM
To: Rex L. Sacco; Frankie Hathaway
Cc: Christian Bryner
Subject: RE: Marion Energy DOH Lab Results

We need to have Christian involved and put this on the agenda for the next Planning Commission Meeting to have them make a recommendation as to whether or not the Commission should hold a hearing to show cause why we should not revoke their Conditional Use Permit.

PC item: Staff review of Marion Energy operations in Clear Creek area to dispose produced water, and recommendation from the Planning Commission to revoke a Conditional Use Permit for well # ??? and associated pipeline and facilities.

From: Rex L. Sacco
Sent: Wednesday, August 10, 2011 10:00 AM
To: Dave Levanger; Frankie Hathaway
Subject: FW: Marion Energy DOH Lab Results

I got this email from Scott. When he gets back I will make sure we are all involved in the meeting.

From: Scott Hacking [scotth@utah.gov]
Sent: Wednesday, August 10, 2011 7:22 AM
To: Rex L. Sacco
Cc: Dan Jarvis; David Ariotti
Subject: Fwd: Marion Energy DOH Lab Results

Hi Rex - We got the inorganic results back for the Marion Energy Ragman Canyon sample. The TDS (total dissolved solids) was 3490 mg/L which means this was salty water, which does exceed drinking water standards. This is par for the course for produced water, it is usually salty. When we are back in Price, Dave and I will come talk to you about it (we are in SLC this week at meetings).

- Scott

>>> Kate Tipple 8/8/2011 12:22 PM >>>
Hi Scott,

Attached are the data for the Marion Energy samples collect July 7, 2011, and submitted to the DOH State Lab under chain of custody.

At first glance, the results are particularly high for TDS, Chloride, and Total Alkalinity (Specific Conductivity and pH are also on the higher end)...though this is purely observational as I haven't compared these results to any standards or permit agreements, and I'm unaware of the context these samples were collected in.

Please let me know if you have any further questions or if I can be of further assistance!

Bye for now,

Kate

Kathryn A. Tipple

><(((('>'`.,.,.'`.,.,.'><(((('>'`.,.,.'`.,.,.'><(((('>

Utah Division of Water Quality
Environmental Scientist III
Monitoring Section

195 North 1950 West
Salt Lake City, UT 84114
(801) 536-4367

ktipple@utah.gov

Attachment “K”

Frankie Hathaway

From: Christian Bryner
Sent: Tuesday, August 30, 2011 4:40 PM
To: Dave Levanger
Cc: Frankie Hathaway
Subject: Marion Energy - September Planning Commission

Dave,

In reviewing some cases on revocation of CUPs, I think it's important that Marion be given specific notice of the date and time of the planning commission meeting next week and be told that they may come and present evidence as to why their permit should not be revoked. I'm assuming we've done that already, but I wanted to make sure, the intensity of these things for all parties involved. Otherwise, they may have a claim that they didn't get to present evidence to counter our own, which the Court would look at as a violation of their due process rights.

Christian Bryner
Deputy County Attorney
120 East Main Street
Price, UT 84501
(435) 636-3704
Fax: (435) 636-3211
Christian.Bryner@carbon.utah.gov

This communication is confidential and protected by the and is intended only for the person to whom it is addressed, and is also protected by the attorney-client privilege.

Attachment “L”



August 31, 2011

Marion Energy Inc.
119 South Tennessee, Suite 200
McKinney, TX 75069

RE: Consideration of Withdrawal of Conditional Use Permits

To Whom It May Concern:

Our office has been informed that Marion Energy has been issued notices of violation from the Division of Oil, Gas & Mining for the Clear Creek and Helper Fields. The violations indicated on the notices are for R649-3-15 Pollution and Surface Damage Control.

It was brought to our attention through the Utah State Forest Service, the Department of Health State Lab and Division of Oil, Gas and Mining that the water being produced that has been tested has TDS of 3490 mg/L which indicates high salinity and exceeds drinking water standards. This information is in conflict with the information your company provided to us when applying for the conditional use permits for the Alpine School District 6-17 and Alpine School District 3-17 disposal wells.

Given this information, the Carbon County Planning Commission will be holding a meeting on Tuesday, September 6, 2011 at 4:30 PM in the Planning Conference Room located at 65 S. 100 E., Price, Utah 84501 for the purpose of considering the approval of a recommendation to the County Commissioners to withdraw the approvals for the Conditional Use Permits for the Alpine School District 3-17 and Alpine School District 6-17 disposal wells. You are invited to attend and submit any evidence or information you wish the Planning Commission to consider.

Regards,

Frankie Hathaway
Deputy Zoning Administrator
Carbon County Planning and Zoning

Attachment “M”



State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Department of
Environmental Quality

Amanda Smith
Executive Director

DIVISION OF WATER QUALITY
Walter L. Baker, P.E.
Director

FILE COPY

Water Quality Board
Paula Doughty, *Chair*
Steven P. Simpson, *Vice-Chair*
Myron E. Bateman
Clyde L. Bunker
Merritt K. Frey
Darrell H. Mensel
Leland J. Myers
Neal L. Peacock
Gregory L. Rowley
Amanda Smith
Daniel C. Snarr
Jeffery L. Tucker
Walter L. Baker
Executive Secretary

September 6, 2011

**CERTIFIED MAIL
(Return Receipt Requested)**

Keri Clark, Vice President
Marion Energy Inc.
901 N McDonald Street, Ste. 601
McKinney, Texas 75069-2157

Dear Mr. Thomas:

Subject: Notice of Violation & Order Docket No. # 111-08

Transmitted herewith is a Notice of Violation from the Utah Water Quality Board for your immediate attention. If you have any questions regarding this notice, please contact Dan Griffin at (801) 536-4387.

Sincerely,

UTAH WATER QUALITY BOARD

Walter L. Baker, P.E.
Executive Secretary

WLB:DG:mc

Enclosure: NOV

cc: Denice Chancellor, Attorney General Office (w/encl)
Colleen Gillespie, Enforcements EPA Region VIII (w/encl)
Claron D. Bjork, PhD, Env. Health Director, Southeastern Utah District (w/encl)
Scott Hacking P.E., Tri-County District Engineer (w/encl)
David Ariotti P.E., South Eastern Health District Engineer (w/encl)
Dan Jarvis, Division of Oil, Gas and Mining (w/encl)

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FILE COPY

Marion Energy Inc.
119 S. Tennessee, Suite 200
McKinney, Texas 75069
Clear Creek Field

NOTICE OF VIOLATION AND ORDER

DOCKET NO. I11-08

A. STATUTORY AUTHORITY

This **NOTICE OF VIOLATION and COMPLIANCE ORDER (NOV/CO)** is issued by the UTAH WATER QUALITY BOARD (the **BOARD**) under the Utah Water Quality Act, as amended, Utah Code Ann. §§ 19-5-101 through 19-5-124 (the **ACT**), including Utah Code Ann. §§ 19-5-104, 19-5-106, 19-5-111 and 19-5-115. This **NOV/CO** is also issued in accordance with the Utah Administrative Procedures Act, Utah Code Ann. §§ 63G-4-101 through 63G-4-601. The **BOARD** has delegated to the Executive Secretary of the Board (**Executive Secretary**) authority to issue such **NOTICES AND ORDERS** in accordance with Utah Code Ann. § 19-5-106(8).

B. APPLICABLE STATUTORY AND REGULATORY PROVISIONS

1. It is unlawful for any person to discharge a pollutant into waters of the state, unless the discharge is authorized by permit, Utah Code Ann. § 19-5-107(1)(a). See also Utah Admin. Code R317-1-1.34. Waters of the State means "all streams, lakes, ponds, marshes, watercourses, waterways, wells, springs, irrigation systems, drainage systems, and all other bodies or accumulations of water, surface and underground, natural or artificial, public or private, which are contained within, flow through, or border upon this state or any portion of the state. . . ." Utah Code Ann. § 19-5-102(18)(a).
2. It is unlawful to cause pollution that constitutes a menace to public health and welfare, or is harmful to wildlife, fish or aquatic life, or impairs domestic, agricultural, industrial, recreational, or other beneficial uses of water. It is also unlawful to place or cause to be placed any wastes in a location where there is probable cause to believe it will cause pollution. Utah Code Ann. § 19-5-107(1)(a).
3. Utah Admin. Code R317-2-7.2 prohibits any person from discharging or placing any waste or other substance in such a way as will be or may:

"become offensive such as unnatural deposits, floating debris, oil, scum or other nuisances such as color, odor or taste; or cause conditions which produce undesirable aquatic life or which produce objectionable tastes in edible aquatic organisms; or result in concentrations or combinations of substances which produce undesirable physiological responses in desirable resident fish, or other desirable aquatic life, or undesirable human health

effects, as determined by bioassay or other tests performed in accordance with standard procedures.”

4. Utah Admin. Code R317-2-7.1 prohibits any person from discharging, or placing any wastes or other substances, in a manner that may interfere with waters’ designated uses, or to cause any of the applicable standards to be violated.
5. Utah Admin. Code R317-2-3.2 defines Category 1 Waters as:

“Waters which have been determined by the Board to be of exceptional recreational or ecological significance or have been determined to be a State or National resource requiring protection, and shall be maintained at existing high quality through designation, by the Board after public hearing, as Category 1 Waters. New point source discharges of wastewater, treated or otherwise, are prohibited in such segments after the effective date of designation.”

Utah Admin. Code R317-2-12.1 defines Category 1 Waters, which, with some exceptions, are all surface waters geographically located within the outer boundaries of U.S. National Forests. That portion of Clear Creek and its tributaries that lie within the Manti-La Sal National Forest are Category 1 Waters. Point source discharges of wastewater, treated or otherwise, are thus prohibited.

6. Utah Admin. Code R317-2-13.1 classifies the Price River and tributaries, from the Price City Water Treatment Plant to the headwaters, as 1C, 2B, 3A, and 4. Code R317-2-6 defines the use designations for the Price River and tributaries classification as:

Class 1C -- Protected for domestic purposes with prior treatment by treatment processes as required by the Utah Division of Drinking Water.

Class 2B -- Protected for secondary contact recreation such as wading, hunting, fishing or similar uses.

Class 3A -- Protected for cold water species of game fish and other cold water aquatic life, including the necessary aquatic organisms in their food chain.

Class 4 -- Protected for agricultural uses including irrigation of crops and stock watering.

C. FINDINGS OF FACT

1. On July 3, 2011, at approximately 3:00 PM, a Carbon County official was driving in the Manti-La Sal National Forest in Ragman Canyon south of the Clear Creek town site in Carbon County. He observed a discharge running down the road that originated from a manhole that services the Marion Energy produced water pipeline. He observed a stream of water discharging up out of the manhole and running overland down and across the road for approximately 75 feet before it discharged into

a surface stream that is a minor tributary of Clear Creek. The discharge had been occurring for a period of time, as evidenced by the erosion pattern formed in the unsurfaced road due to the discharge. There was an odor coming from the discharge water. The Carbon County official took photos of the discharge and the erosion it had caused. On July 6th the Department of Environmental Quality (David Ariotti and Scott Hacking, DEQ District Engineers) and Manti-La Sal Forest Service staff (Tom Lloyd and Joe DiBenedetto) were alerted to the discharge from the manhole by Carbon County staff.

2. Manti-La Sal Forest Service staff (Tom Lloyd and Joe DiBenedetto) made an inspection of the site on July 6th. Their field report, dated July 8, 2011, describes *"The Forest Service team arrived at the site approximately 10:00 AM and immediately observed road erosion emanating from the manhole located near mid road. Road and manhole collar erosion indicate pipeline break and leak has been active more than a few days. While at the site the team observed production water discharging from below the manhole cover and around the manhole collar. The team estimated flow from the manhole area at greater than 25 gallons per minute. Photo documentation attached to this report illustrates an outwash of road materials to a minimal depth of six inches around the manhole itself and erosional rills of equal depth down slope. The intermittent flow has eroded both flanks of the road adjacent to the culvert down slope and allows the leachate to pool and enter the stream. The leachate has stained the rocks, soils and the culvert pipe where the stream is directed below the road."* In the field report the location of the manhole was described as Manti-La Sal National Forest, Section 8, T14S, R 7E approximately 2 miles south of the town of Clear Creek in the Ragman Canyon area, GPS coordinates (UTM) 12S 0515465E, 4383364N, elevation 8665 ft. Immediately after their inspection Manti-La Sal staff located Eric Norton, field technician for Marion Energy, and informed him of the production water pipeline discharge and indicated an immediate shutdown of the production water discharge was necessary. The Manti-La Sal field report indicates that Eric Norton complied immediately and the discharge was shut off at that time.
3. David Ariotti, DEQ District Engineer for Southeast Utah, and Scott Hacking, DEQ District Engineer for the Uintah Basin, were alerted to the discharge late on July 6, 2011. Arrangements were made with Division of Water Quality staff to obtain the appropriate sample bottles for sampling on July 7th. Scott Hacking (David Ariotti was unavailable) made a site visit with Rex Sacco of Carbon County on July 7th at approximately 11:45am to document the site condition and collect water samples. The discharge was not actively occurring at the time. GPS coordinates of the manhole were reported as 39.616834, -111.161063. Samples of the water from the still-flooded manhole were collected. Lab results from those samples showed the water collected from the manhole had a Total Dissolved Solids (TDS) of 3,490 mg/l and also had low levels of volatile organic compounds.
4. The Division of Oil, Gas and Mining made several inspections of Marion Energy facilities from July 11, 2011 through early August 2011 and noted the evidence of the leaking production water line.

D. VIOLATIONS

Based on the foregoing Findings of Fact, **MARION ENERGY** has violated the following:

1. Utah Code Ann. § 19-5-107(1)(a), for the unpermitted release of a pollutant (production water) from the pipeline and introduction of the pollutant into a tributary of Clear Creek, within the boundaries of the Manti-La Sal National Forest, as described in **Findings of Fact** Sections 1 through 4.
2. Utah Administrative Code R317-2-7.2, for the release of a waste or a substance (production water) into a tributary of Clear Creek in such a way as it did or may have become offensive, as described in **Findings of Fact** Sections 1 through 4.
3. Utah Administrative Code R317-2-7.1, for the release of production water from the pipeline and introduction of production water into a tributary of Clear Creek, thereby causing a violation of water quality standards and interference with the designated uses of said waters, as described in **Findings of Fact** Sections 1 through 4.

E. ORDER

Any compliance schedules submitted by the *violator* as required by this **Order** must be submitted by the deadlines established in this **Order** and approved by the **Executive Secretary**. Once compliance schedules are approved by the **Executive Secretary**, the compliance schedule must be implemented according to the deadlines and requirements established in the compliance schedule(s) and/or this **Order**. Once approved, timeframes and requirements of any compliance schedule become binding on the *violator*.

Based on the foregoing **FINDINGS OF FACT** and **VIOLATIONS**, and pursuant to Utah Code Ann. § 19-5-107 and 19-5-111, **MARION ENERGY** is **HEREBY ORDERED** to:

- 1) Immediately initiate all action required to come into compliance with all applicable provisions of the Utah Water Quality Act and the Water Quality rules in the *Utah Administrative Code* (R317).
- 2) Immediately cease and desist all unpermitted discharges.
- 3) Submit to the **EXECUTIVE SECRETARY**, within 30 days of receipt of this NOV/CO, a report which includes, but is not limited to a description of the following:
 - a) The initial release incident and Marion Energy's response;

- b) An estimate of the quantity of production water released and supporting calculations;
 - c) Marion Energy's cleanup activities for all waters of the state, their surrounding environments and associated conveyance systems impacted by the release; and
 - d) The proper and appropriate disposal of wastes associated with the release, and supporting documentation
- 4) Submit to the **EXECUTIVE SECRETARY**, within 30 days of receipt of this NOV/CO, a plan for establishing the extent of the area impacted by the release, to include at a minimum:
- a) A report on the impact of the release;
 - b) Site plans and maps of the area affected by the release; and
 - c) The proposed ongoing environmental monitoring plan for the affected area.
- 5) Submit to the **EXECUTIVE SECRETARY**, within 30 days of receipt of this NOV/CO, a plan for demonstrating the integrity of the produced water line (such as a pressure test conducted in accordance with accepted industry standards). The plan shall also address pipeline maintenance and inspections.
- 6) All letters of response, reports, plans and submittals made in accord with this NOV/CO shall be certified by an authorized Marion Energy representative as follows:

"I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who managed the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine or imprisonment for knowing violations."


F. NOTICE

This **NOTICE OF VIOLATION** and **COMPLIANCE ORDER (NOV/CO)** is effective immediately. **MARION ENERGY** may contest this **NOV/CO** by submitting a request for Agency Action in writing as specified in Utah Admin. Code R317-9-3. Any such request must be received by the Executive Secretary within 30 days of the **NOV/CO**'s issuance or the **NOV/CO** shall become final.

Compliance with the provisions of this **ORDER** is mandatory. The information requested will be considered in the evaluation of the extent of your compliance with the Water Quality Act, this **Order** and applicable administrative rules. Failure to respond fully and truthfully, or to adequately justify such failure to respond may subject **MARION ENERGY** to civil penalties or criminal fines under Utah Code Ann. § 19-5-115.

Utah Code Ann. § 19-5-115 provides that violation of the ACT or a related order may be subject to a civil penalty of up to \$10,000 per day of violation. Under certain circumstances of willfulness or criminal negligence, violators may be fined up to \$25,000 per day.

Signed this 6 day of September, 2011
Utah Water Quality Board



Walter L. Baker, P.E.
Executive Secretary

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Attachment “N”

Frankie Hathaway

From: Frankie Hathaway
Sent: Wednesday, November 16, 2011 5:09 PM
To: Commission; Ben Grimes; Christian Bryner; Curtis Page; Dave Levanger; Don Torgerson; Frankie Hathaway; Lynna Gray; Lynna Topolovec; Mike Milovich; Mike Milovich; Richard Tatton; Tom Paluso
Cc: Rex L. Sacco
Subject: Marion Energy Update

As you may or may not be aware, Marion Energy was issued numerous Notices of Violation by the Division of Oil, Gas & Mining on August 23, 2011. On October 4, 2011, the Planning Commission met to review the Marion Energy operations in the Clear Creek area and to determine if a recommendation would be made to the County Commissioners to revoke the Conditional Use Permit issued to Marion Energy for operation of a Class II injection well. It was determined at that meeting that the item be tabled until the November meeting so that Marion Energy could meet with DOGM the end of October and make arrangements to bring their project compliant since DOGM had shut Marion Energy operations down in the Clear Creek area. Marion Energy was to contact the Planning Department as soon as they received an update on their project so that we could schedule them to come before the Planning Commission for another review. As of today Marion Energy has not come back before the Planning Commission and has not contacted our office with any updates. Today the Planning Office received another Notice of Violation letter from DOGM citing violations on Marion Energy locations both in Kenilworth and the Clear Creek area. I contacted Clint Dworshak, the Compliance person with DOGM to discuss this notice and to see if there has been any progress on the previous Notices of Violation. Mr. Dworshak informed me that on December 7, 2011 the Marion Energy attorneys would be meeting with the DOGM attorneys to discuss the Violation Notices of August 23 and to determine if the items had been addressed and brought compliant. If the violations have been remedied at the time of the December 7th meeting, no further proceedings will occur however, if there are still outstanding items, there could be additional legal proceedings. If Marion repairs the issues and meets DOGM's requirements as of December 7th, they will then have until January 31, 2012 to raise additional funds necessary to operate their field. If they cannot do so, steps will be taken to shut down operations.

As additional information comes available concerning this matter I will keep you all updated and informed. Please let me know if you have additional questions, concerns or need more information.

Thank you for your time, cooperation and assistance with these situations,

Have a happy
day!



Frankie Hathaway
Deputy Zoning Administrator
Planning and Building Department
120 East Main Street
Price, Utah 84501
Phone: 435-636-3260

Fax: 435-636-3264
frankie.hathaway@carbon.utah.gov

Attachment “O”

AGREEMENT FOR RESOLUTION
OF
AMENDED NOTICE OF AGENCY ACTION

The Utah Division of Oil, Gas and Mining ("Division") and Marion Energy Inc., ("Marion") in order to fully resolve the claims set forth in the Division's Amended Notice of Agency Action filed October 7, 2011 ("NOAA") hereby execute this AGREEMENT FOR RESOLUTION OF AMENDED NOTICE OF AGENCY ACTION ("Agreement") and agree to the following procedures and actions.

1. Upon execution of the Agreement the parties shall submit to the Board a joint motion for an additional continuance of the hearing of the Division's NOAA (Exhibit A) from the December 7, 2011 hearing to the January 25, 2012 hearing; provided that continuance of the Division's claims in the Third Cause related to the August 23, 2011 Notice of Violation shall be subject to the additional conditions set out in paragraph 2 of this Agreement.

2. Marion Energy shall immediately upon execution of this Agreement continue to address each of the deficiencies identified in the Notice of Violation dated August 23, 2011 ("NOV", Exhibit B) and shall also submit to the Division all past due production and well completion reports. The hearing on the Third Cause of the NOAA shall remain scheduled for December 7, 2011 at which time the Board may determine the need for a Board Order to address any of the violations and any penalties; provided however, that as soon as all of the items identified in the NOV have been satisfactorily addressed and outstanding production, disposal, and completion reports have been filed, the Division will immediately notify Marion and the Board and file a motion to continue further action pertaining to the Third Cause until the January 25, 2012 hearing.

3. Counsel for Marion and the Division shall appear at the December hearing to provide the Board with a brief presentation of the terms of this Agreement and address any questions from the Board.

4. Marion shall continue to pursue the recapitalization of its company by obtaining an audit of its financial condition from the most recent fiscal year, obtaining an independent evaluation of oil and gas reserves in its Clear Creek Field located in Carbon County, Utah and preparing a prospectus or similar informational document ("Prospectus") to be used for the purpose of obtaining additional capital investment for the purpose of further development of its Utah operations.

5. Marion shall submit to the Division a copy of the complete report by the independent evaluator of the results of its evaluation of the Clear Creek field reserves, and a copy of the Prospectus, as soon as they are complete. The Division will protect from disclosure any of the submitted materials that are identified by Marion as being confidential business information, to the extent allowed by applicable law. Upon receipt and review of these documents, the Division shall file a motion to continue the hearing of the NOAA until the regularly scheduled March Board hearing (on or about March 28, 2012). In the event the Prospectus has not been published

by the date of the January hearing, the Division shall be entitled to the entry of a Board Order requiring the plugging of the wells as requested in the NOAA and such other relief requested in the NOAA as may be appropriate. However, if Marion demonstrates to the Division's satisfaction that the Prospectus has been temporarily delayed despite Marion's best efforts, and is expected to be published within a reasonable time then a thirty day extension may be granted.

6. No later than January 10, 2012, Marion shall submit to the Division a proposed Plan of Operation that outlines future actions on the Clear Creek field. The Plan of Operation will include:

(a) An assessment of the existing non-federal wells in the Clear Creek field, including those wells addressed in the NOAA. The assessment will determine Marion's plans and criteria for either plugging and abandoning the wells or bringing them into production in paying quantities;

(b) A written assessment by a professional engineer of the Clear Creek field's water injection pipeline's design, engineering, and operational viability, and a plan for addressing any deficiencies if the engineer concludes the pipeline is out of compliance with applicable standards. The written assessment will rely on and include the plans or drawings utilized by the contractors who designed and built the pipeline, to the extent Marion is able to obtain such documents using good faith efforts; and

(c) A description of other work Marion needs to complete at the Clear Creek field to successfully plug and reclaim or begin production.

7. Upon receiving and reviewing the submitted Plan of Operation, the Division will either approve the Plan of Operation or issue a request for additional information, which Marion will answer before the January hearing.

8. No later than the January Board hearing, Marion shall also provide the Division with a report detailing Marion's intended actions to comply with (a) the notice of violation issued by the Utah Division of Water Quality; (b) the Bureau of Land Management and U.S. Forest Service's concerns regarding the operation of the water pipeline across federal public land; and (c) the concerns of Carbon County regarding the operation of the disposal wells in compliance with Marion's conditional use permit.

9. Upon funding of the recapitalization pursuant to the Prospectus, or no later than March 10, 2012, the parties shall execute a separate Plan of Operation that shall incorporate the initial Plan of Operation prepared pursuant to paragraphs 6, 7, and 8 of this Agreement, setting forth deadlines for Marion to commence and complete the work and providing for the Division to bring an action before the Board to enforce the terms therein in the event of a breach of the agreement.

10. In the event that the recapitalization pursuant to the Prospectus is not funded by the date of the March Board hearing the Division may at that hearing either: (a) move to continue the matter for thirty additional days if there is a reasonable basis for funding within that time; or (b) submit the matter for the next upcoming Board hearing and at such hearing the Division shall be

entitled to entry of Order for plugging of the wells, and other relief requested, and the request for bond forfeiture and civil penalties shall be set for hearing at the next regularly scheduled hearing of the Board.

11. Upon execution by the parties of the Plan of Operation pursuant to paragraph 9 of this Agreement and funding of the recapitalization for the company pursuant to the Prospectus, including funding for work in the Plan of Operations, the Division shall file a motion for Dismissal of the NOAA with prejudice and the matter shall be dismissed.

12. Resolution of the other outstanding Notices of Violation that have been issued to Marion, besides August 23, 2011 Notice of Violation, shall be addressed in the Plan of Operation pursuant to Paragraph 9. In the event Marion does not maintain a consistent field presence pursuant to the Oil and Gas Conservation Act and rules (U.A.C. R649-3-15) and the August 23, 2011 NOV, the Division may seek an order determining that the lack of field presence constitutes a breach of this Agreement in addition to other remedies.

Agreed to on the date executed as shown below.

**UTAH DIVISION OF OIL, GAS, AND
MINING**


Name: John Rogers

Its: Associate Director

Dated: Nov. 18, 2011

MARION ENERGY INC.

Name: _____

Its: _____

Dated: _____

entitled to entry of Order for plugging of the wells, and other relief requested, and the request for bond forfeiture and civil penalties shall be set for hearing at the next regularly scheduled hearing of the Board.

11. Upon execution by the parties of the Plan of Operation pursuant to paragraph 9 of this Agreement and funding of the recapitalization for the company pursuant to the Prospectus, including funding for work in the Plan of Operations, the Division shall file a motion for Dismissal of the NOAA with prejudice and the matter shall be dismissed.

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Agreed to on the date executed as shown below.

UTAH DIVISION OF OIL, GAS, AND
MINING

Name: _____

Its: _____

Dated: _____

MARION ENERGY INC.

Name:  _____

Its: DIRECTOR

Dated: 11 / 17 / 11

Attachment “P”

AGREEMENT FOR RESOLUTION
OF
AMENDED NOTICE OF AGENCY ACTION

The Utah Division of Oil, Gas and Mining ("Division") and Marion Energy Inc., ("Marion") in order to fully resolve the claims set forth in the Division's Amended Notice of Agency Action filed October 7, 2011 ("NOAA") hereby execute this AGREEMENT FOR RESOLUTION OF AMENDED NOTICE OF AGENCY ACTION ("Agreement") and agree to the following procedures and actions.

1. Upon execution of the Agreement the parties shall submit to the Board a joint motion for an additional continuance of the hearing of the Division's NOAA (Exhibit A) from the December 7, 2011 hearing to the January 25, 2012 hearing; provided that continuance of the Division's claims in the Third Cause related to the August 23, 2011 Notice of Violation shall be subject to the additional conditions set out in paragraph 2 of this Agreement.

2. Marion Energy shall immediately upon execution of this Agreement continue to address each of the deficiencies identified in the Notice of Violation dated August 23, 2011 ("NOV", Exhibit B) and shall also submit to the Division all past due production and well completion reports. The hearing on the Third Cause of the NOAA shall remain scheduled for December 7, 2011 at which time the Board may determine the need for a Board Order to address any of the violations and any penalties; provided however, that as soon as all of the items identified in the NOV have been satisfactorily addressed and outstanding production, disposal, and completion reports have been filed, the Division will immediately notify Marion and the Board and file a motion to continue further action pertaining to the Third Cause until the January 25, 2012 hearing.

3. Counsel for Marion and the Division shall appear at the December hearing to provide the Board with a brief presentation of the terms of this Agreement and address any questions from the Board.

4. Marion shall continue to pursue the recapitalization of its company by obtaining an audit of its financial condition from the most recent fiscal year, obtaining an independent evaluation of oil and gas reserves in its Clear Creek Field located in Carbon County, Utah and preparing a prospectus or similar informational document ("Prospectus") to be used for the purpose of obtaining additional capital investment for the purpose of further development of its Utah operations.

5. Marion shall submit to the Division a copy of the complete report by the independent evaluator of the results of its evaluation of the Clear Creek field reserves, and a copy of the Prospectus, as soon as they are complete. The Division will protect from disclosure any of the submitted materials that are identified by Marion as being confidential business information, to the extent allowed by applicable law. Upon receipt and review of these documents, the Division shall file a motion to continue the hearing of the NOAA until the regularly scheduled March Board hearing (on or about March 28, 2012). In the event the Prospectus has not been published

by the date of the January hearing, the Division shall be entitled to the entry of a Board Order requiring the plugging of the wells as requested in the NOAA and such other relief requested in the NOAA as may be appropriate. However, if Marion demonstrates to the Division's satisfaction that the Prospectus has been temporarily delayed despite Marion's best efforts, and is expected to be published within a reasonable time then a thirty day extension may be granted.

6. No later than January 10, 2012, Marion shall submit to the Division a proposed Plan of Operation that outlines future actions on the Clear Creek field. The Plan of Operation will include:

(a) An assessment of the existing non-federal wells in the Clear Creek field, including those wells addressed in the NOAA. The assessment will determine Marion's plans and criteria for either plugging and abandoning the wells or bringing them into production in paying quantities;

(b) A written assessment by a professional engineer of the Clear Creek field's water injection pipeline's design, engineering, and operational viability, and a plan for addressing any deficiencies if the engineer concludes the pipeline is out of compliance with applicable standards. The written assessment will rely on and include the plans or drawings utilized by the contractors who designed and built the pipeline, to the extent Marion is able to obtain such documents using good faith efforts; and

(c) A description of other work Marion needs to complete at the Clear Creek field to successfully plug and reclaim or begin production.

7. Upon receiving and reviewing the submitted Plan of Operation, the Division will either approve the Plan of Operation or issue a request for additional information, which Marion will answer before the January hearing.

8. No later than the January Board hearing, Marion shall also provide the Division with a report detailing Marion's intended actions to comply with (a) the notice of violation issued by the Utah Division of Water Quality; (b) the Bureau of Land Management and U.S. Forest Service's concerns regarding the operation of the water pipeline across federal public land; and (c) the concerns of Carbon County regarding the operation of the disposal wells in compliance with Marion's conditional use permit.

9. Upon funding of the recapitalization pursuant to the Prospectus, or no later than March 10, 2012, the parties shall execute a separate Plan of Operation that shall incorporate the initial Plan of Operation prepared pursuant to paragraphs 6, 7, and 8 of this Agreement, setting forth deadlines for Marion to commence and complete the work and providing for the Division to bring an action before the Board to enforce the terms therein in the event of a breach of the agreement.

10. In the event that the recapitalization pursuant to the Prospectus is not funded by the date of the March Board hearing the Division may at that hearing either: (a) move to continue the matter for thirty additional days if there is a reasonable basis for funding within that time; or (b) submit the matter for the next upcoming Board hearing and at such hearing the Division shall be

entitled to entry of Order for plugging of the wells, and other relief requested, and the request for bond forfeiture and civil penalties shall be set for hearing at the next regularly scheduled hearing of the Board.

11. Upon execution by the parties of the Plan of Operation pursuant to paragraph 9 of this Agreement and funding of the recapitalization for the company pursuant to the Prospectus, including funding for work in the Plan of Operations, the Division shall file a motion for Dismissal of the NOAA with prejudice and the matter shall be dismissed.

12. Resolution of the other outstanding Notices of Violation that have been issued to Marion, besides August 23, 2011 Notice of Violation, shall be addressed in the Plan of Operation pursuant to Paragraph 9. In the event Marion does not maintain a consistent field presence pursuant to the Oil and Gas Conservation Act and rules (U.A.C. R649-3-15) and the August 23, 2011 NOV, the Division may seek an order determining that the lack of field presence constitutes a breach of this Agreement in addition to other remedies.

Agreed to on the date executed as shown below.

**UTAH DIVISION OF OIL, GAS, AND
MINING**


Name: John Rogers

Its: Associate Director

Dated: Nov. 18, 2011

MARION ENERGY INC.

Name: _____

Its: _____

Dated: _____

entitled to entry of Order for plugging of the wells, and other relief requested, and the request for bond forfeiture and civil penalties shall be set for hearing at the next regularly scheduled hearing of the Board.

11. Upon execution by the parties of the Plan of Operation pursuant to paragraph 9 of this Agreement and funding of the recapitalization for the company pursuant to the Prospectus, including funding for work in the Plan of Operations, the Division shall file a motion for Dismissal of the NOAA with prejudice and the matter shall be dismissed.

12. Resolution of the other outstanding Notices of Violation that have been issued to Marion, besides August 23, 2011 Notice of Violation, shall be addressed in the Plan of Operation pursuant to Paragraph 9. In the event Marion does not maintain a consistent field presence pursuant to the Oil and Gas Conservation Act and rules (U.A.C. R649-3-15) and the August 23, 2011 NOV, the Division may seek an order determining that the lack of field presence constitutes a breach of this Agreement in addition to other remedies.

Agreed to on the date executed as shown below.

UTAH DIVISION OF OIL, GAS, AND
MINING

Name: _____

Its: _____

Dated: _____

MARION ENERGY INC.

Name:  _____

Its: DIRECTOR

Dated: 11 | 17 | 11

Attachment “Q”



Carbon County Planning and Zoning Commission
120 East Main Price Utah 84501
Price, Utah 84501

Attention: Dave Levanger

Dear Mr. Levanger,

This letter is a follow up to the meeting on October 4th, 2011 concerning Marion Energy's conditional use permit. At that time the Commissioners decided to table any further action until such time as a resolution could be reached between Marion and DOGM concerning the safe operations of the water disposal pipeline. That agreement has been reached.

Attached are documents Marion has provided to the DOGM relating to this system, including a report by a certified professional engineer regarding the pipeline. This report contains a certification that the pipeline was built to specifications and steps to ameliorate any potential issues. We have enclosed Marion's plans to test the pipeline, improve the safety pop off valves, and to enclose these valves in secure containment vessels.

Once the line is back in operation, Marion will use the engineering report as a guideline for future inspections and maintenance of the line. Marion's field personnel have been involved with developing the necessary operations and maintenance guidelines to ensure the integrity of the entire water disposal system and will implement these procedures.

We have been working with DOGM over the last few months to develop these actions and they agree that these improvements will help to ensure that the pipeline continues to operate in a safe and effective manner. If you have any questions about the improvements or wish to discuss them, please feel free to contact me, or any of my colleagues.

Sincerely,

Jeffrey Clarke
Director

Attachment “R”

EIS ENVIRONMENTAL & ENGINEERING CONSULTING

435-472-3814 / 800-641-2927 / FAX 435-472-8780 / tompaluso@preciscom.net / 31 NORTH MAIN STREET HELPER, UTAH 84526

MEMO

MEMO TO: To Whom It May Concern

MEMO FROM: J. T. Paluso, P. E.

DATE: December 2, 2011

SUBJECT: Marion Energy Water Line
Monument Peak to Alpine School District Injection Well 3-17



The following material was reviewed:

1. Uintah Engineering plans and specifications
2. Talon Resources plans and specifications
3. Construction certification letter from Nelco Contractors
4. Pipeline pressure tests
5. Husteel Co Steel pipe inspection certifications

The following conversation with Larry Jensen and Doug Endsley were conducted:

1. Larry Jensen, Vice President Nelco Contractors. Nelco was contracted to install all high density polyethylene pipe (HDPE). All of line was installed as per plans and specifications. Between pressure regulators every section of the line was tested for leaks.
2. According to Mr. Jensen there were two inspectors on this project. The United States Forest Service (USFS) had an inspector that inspected all installations on USFS property and Marion Energy employed a third party inspector to oversee all pipe installation procedures.
3. A retired Questar employee Brent Searle was hired to inspect steel pipeline installed near railroad property and Questar pipelines. This line was also pressure tested, according to Doug Endsley, Marion Consultant.

Based upon my past experience working with Larry Jensen Nelco Contractors, review of all plans and specifications, and conversations with contractors and key personnel, I believe that the above pipeline was installed properly and complied with existing plans and specifications.

I hereby certify, to the best of my knowledge, that the above statement to be true. I further certify the above to be a true and accurate reflection of my observations and opinions.



**Construction
General Contracting**

**P.O. Box 282
Price, Utah 84501
Phone (435) 637-3495
Fax (435) 637-3497**

**Site Planning
Subdivision Planning
Land Development**

November 30, 2011

To Whom It May Concern:

Nelco Contractors Inc. installed a water and gas line for Marion Energy that ran from their wells on Monument Peak down to Clear Creek then to the Alpine wells by Scofield. The lines were designed by Uintah Engineering and Talon Resources. There was a third party inspector hired by Marion to inspect and supervise the work. We do not remember his name.

The work was also watched by the Forest Service man they hired to inspect for them.

Nelco installed the lines according to the plans and specifications because of the need to satisfy the forest service for acceptance. All lines were pressure tested and I have included copies of the tests that were performed.

Nelco installed the entire pipe except a short section of steel pipe that the rail road required in their right of way. This section was near the mine rail load out.

Nelco has always stood for honesty and integrity. The lines installed properly and tested. We do not know how the air reliefs and pressure reducing stations were maintained over the years, but with routine maintenance the line should be good for decades without any problems.

I have enclosed copies of our records on the project.

Sincerely

A handwritten signature in cursive script, appearing to read 'Larry Jensen', written over a horizontal line.

Larry Jensen
Vice President